

Message Text

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43

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 SPC-03 STR-08

TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01 NSC-07 SS-20 PA-04

PRS-01 USIA-15 L-03 DRC-01 /145 W

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R 040946Z MAR 74

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 3060

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

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BRUSSELS FOR UNDER SECRETARY DONALDSON

E.O. 11652: N/A

TAGS: EFIN, ENRG, NL, EEC

SUBJECT: OORT ON CURRENT MONETARY ISSUES

REF: (A) EC BRUSSELS 1241

(B) EC BRUSSELS 1058

1. SUMMARY: DUTCH TREASURER GENERAL OORT SEES NEED FOR
INCREASE IN OFFICIAL PRICE OF GOLD BUT ONLY IF AGREED IN
BROADER IMF CONTEXT. HE THINKS HE DETECTS GREATER US FLEXI-
BILITY ON THIS ISSUE. HE CONFIRMS PREDELICITION OF DUTCH

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CABINET FOR MODERATE EMPHASIS ON REFLATION RATHER THAN
INFLATION RESTRAINT AT THIS TIME. END SUMMARY.

2. WITH REFEELS IN HAND, E/C COUNSELOR REVIEWED WITH OORT CURRENT DUTCH THINKING ON INTERNATIONAL MONETARY ISSUES ARISING IN PART FROM ENERGY SITUATION.

3. OORT SAID THAT EC MONETARY COMMITTEE MEETING MARCH 7 WOULD BE FOLLOWED BY "LITTLE SNAKE" MEETING MARCH 8. HE CONFIRMED AGENDA FOR MONETARY COMMITTEE MEETING AS STATED REF (A). INFORMAL MEETING OF EC FINANCE MINISTERS NOW RESCHEDULED FOR APRIL 22-23 AT ZEIST (NEAR UTRECHT).

4. LITTLE SNAKE MEETING HAS ONLY ONE OBJECTIVE -- TO CONSIDER HOW SNAKE CAN BE KEPT ALIVE UNTIL OTHER COUNTRIES CAN REJOIN. TO THIS END DISCUSSION WILL CENTER AROUND HARMONIZATION OF MONETARY AND FISCAL POLICIES, CENTRAL BANK INTERVENTION IN EXCHANGE MARKETS, AND INTEREST RATE POLICY. OORT THINKS SNAKE IS VIABLE BUT CONCEDES THAT GERMAN PREOCCUPATION WITH INFLATION IN CONTRAST WITH DUTCH EMPHASIS ON MAINTAINING EMPLOYMENT COULD CREATE SOME STRAIN.

5. DUTCH ARE PRETTY WELL CONVINCED THAT PRICE OF MONETARY GOLD MUST BE RAISED. PRESENT UNREALISTIC PRICE NOT ONLY FREEZES FLOW OF GOLD AMONG CENTRAL BANKS BUT MORE IMPORTANTLY UNDERVALUES ASSET WHICH MUST SOON BE BARTERED WITH OPEC COUNTRIES FOR OIL. OIL PRODUCERS HAVE ARTIFICIALLY RAISED PRICE OF THEIR ASSET AND CONSUMERS MUST FOLLOW SUIT. DUTCH ALSO FEEL, HOWEVER, THAT INTRA-EC DECISION TO RAISE GOLD PRICE WOULD HAVE LITTLE VALUE. IT MUST BE ACCOMPLISHED IN BROADER IMF CONTEXT AND WITH US CONCURRENCE. OORT THINKS HE DETECTS "MORE REALISTIC AND FLEXIBLE" US POSITION ON THIS QUESTION. THUS DUTCH WILL RESIST UNILATERAL EC ACTION AT MARCH 7 MEETING.

6. ON DOMESTIC FRONT, OORT ACKNOWLEDGED THAT THERE IS HOT DEBATE OVER RELATIVE MERITS OF DEFLATIONARY VS. REFLATIONARY COURSE. CIVIL SERVANTS, BROADLY SPEAKING, WANT TO FIGHT INFLATION WHILE POLITICIANS WANT TO MINIMIZE UNEMPLOYMENT. POLITICIANS WILL OBVIOUSLY HAVE THEIR WAY AND CAN LEGITIMATELY ARGUE THAT INFLATION IS INTERNATIONAL PHENOMENON WHICH CANNOT BE CURBED BY UNILATERAL ACTION. THUS DUTCH FISCAL POLICY OVER LIMITED OFFICIAL USE
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NEXT FEW MONTHS WILL FEATURE MODERATE EXPANSION OF MONEY SUPPLY THROUGH TAX RELIEF AND MORE EXPENDITURE ON JOB CREATION.
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